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SUBJECT: SCENESETTER FOR A/S FRAZER

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[1](#)C. ACCRA 658

Classified By: Ambassador Pamela E. Bridgewater for reasons 1.5 d and e

Summary/Introduction

[1](#)1. (C) Ghana is a democratic, market-oriented, and pro-American country. It has one of the best human rights records in Africa and has made significant efforts to combat trafficking in persons. President John Kufuor is nine months into his second term, which has been marked by intra-party tensions and sluggish decision-making, but finally appears to be gaining some momentum. Ghana exerts regional leadership, strongly supports the Global War on Terrorism, and is a committed, major contributor to UN peacekeeping operations. President Kufuor has met President Bush five times and has positive views of the United States.

[1](#)2. (SBU) Kufuor understands that economic growth is critical to continued political stability in Ghana, and has done an admirable job of stabilizing the economy and fostering an environment for stronger growth. His government, however, has been slow in reducing obstacles to foreign investment.

[1](#)3. (SBU) Having just arrived September 30, I have not yet met with President Kufuor or Foreign Minister Akufo-Addo. However, both have been accessible to the Mission. Your visit will be followed on October 14 by a brief visit to Ghana of former President Carter. This cable outlines U.S.-Ghana political, economic, military, and security relations. End Summary

U.S.-Ghana Relations

[1](#)4. (SBU) Ghana is a reliable, democratic partner for the U.S. in peacekeeping, conflict resolution, counter-terrorism, and economic development. U.S. interests center on supporting Ghana's thirteen-year-old democracy, promoting open markets, and reducing poverty. Key components of the broad U.S.-Ghana relationship are:

[1](#)5. (SBU) Democracy: Ghana's December 2004 parliamentary and presidential elections, the fourth under the 1992 constitution, were free, fair and generally peaceful. Ghana has a free, lively media and civil society, a largely independent judiciary and Electoral Commission, and an apolitical military. It generally respects human rights and the rule of law. However, the long-term success of Ghana's constitutional democracy is not guaranteed and democratic institutions are weak. While Ghana had the best score between the Sahara and the Kalahari on Transparency International's Corruption Perception Index (Ghana ranks 64 globally on the CPI), corruption remains a serious concern. We supported the 2004 election with Mission observers and \$1.3 million in election assistance. We have programs to strengthen parliament, the judiciary, the police and the media.

[1](#)6. (SBU) Development Assistance and Trade: Annual USG assistance to Ghana is approximately \$75 million, including one of USAID's largest programs in Africa. Ghana receives approximately \$55 million in USAID grant assistance and food aid per year, focusing on education, health, HIV/AIDS, environment, trade and investment, and democracy and governance. The U.S. and Ghana have a relatively dynamic trade relationship. U.S. exports to Ghana in 2004 increased to approximately \$300 million, a 50% increase over 2003, and Ghana is consistently the fifth or sixth largest market in Africa for U.S. goods. USTR considers Ghana a "pacesetter" country, due to its relative success in diversifying its exports under AGOA.

[1](#)7. (S) Security: Ghana provides excellent cooperation in counter-terrorism and counter-narcotics efforts. Intelligence sharing is outstanding. We have a robust mil-mil relationship, in part a recognition of Ghana's outstanding contribution to peacekeeping (Ghana is the fourth largest contributor to UN peacekeeping forces worldwide) and

to regional stability. Ghana was key to peace efforts in Liberia and Cote d'Ivoire. During the recent Togo crisis, Ghana played a constructive, low-key role, in support of the Economic Community of West African States (ECOWAS). Kufuor served as Chair of the ECOWAS for two terms, ending January 2005. ECOWAS Executive Secretary Mohammed Ibn Chambas is Ghanaian. Ghana has also been welcoming to refugees and currently hosts about 60,000 refugees, mostly Liberian. We support Ghana's regional USAID's West Africa Regional Program (WARP) and our Refugee Coordinator Office, both based in Accra.

Internal Political Situation

18. (SBU) President Kufuor is now almost nine months into his second term. This term has been marked by continuity in his ministerial appointments, his priority themes, and his slow approach to governance. In the first half of this term, the GOG was distracted by corruption allegations and turmoil in Togo and was slow to get organized.

19. (SBU) In recent months, the GOG has regained some momentum. In response to rising global oil prices and IMF pressure, Kufuor raised petrol prices and established a National Petroleum Authority. The GOG recently made strides toward signing a Millennium Challenge Account (MCA) agreement, submitted a trafficking in persons law to parliament, and guaranteed free primary education for the first time. Kufuor offered Ghana as the first country to be reviewed in the NEPAD Peer Review Mechanism.

110. (SBU) The Ghanaian political party structure, however, remains highly polarized. The New Patriotic Party (NPP) and National Democratic Congress Party (NDC) are closely matched in parliament. Leaders of the two major parties dislike each other intensely. NDC parliamentarians complain that the NPP throws its weight around in parliament, using its majority to force through laws. The NDC retained parliamentary seats in hotly contested by-elections in Asawase (Ashanti Region) in April and Odododiodio (Accra) in August, which did not change the overall political equation.

111. (SBU) Tensions between the NDC and NPP could worsen as both parties prepare for District Assembly elections in 2006 and presidential/parliamentary elections in 2008. The NPP will have its national convention in November to select new party leadership and discuss strategies. Although this convention will not decide on the presidential candidate, there are already a number of competitors within the NPP in the running to succeed Kufuor, including several ministers and the Vice President. The result is friction at the top levels of the bureaucracy.

112. (SBU) The NDC, which is holding its national convention in December, is divided and financially weak. Rawlings still exerts a strong influence on the party but there are many in the party (including the camp of former NDC presidential candidate John Atta Mills) who want to distance themselves from the ex-president. Some believe these tensions will eventually split the party.

113. (SBU) The Kufuor government has faced new charges of corruption, highlighted by Ghana's free media. Energy Commission Members were forced out under a cloud. The Administration was attacked for alleged corruption in the creation of Ghana International Airlines. Media allegations have linked the President to a corrupt hotel deal, alleged by an Iraqi-American named Gizelle Yajji, who also claims she had an extra-marital affair with the President. (Kufuor denies involvement in the hotel, bought by his son, but the GOG has not commented on the other allegation). Two recently published public opinion polls found that there is a growing perception that corruption is on the rise, especially by the president and his office.

114. (U) Parliament reconvenes in October and is expected to take up legislation on domestic violence and disabilities, as well as whistleblower and mining laws. It will also likely consider a controversial People's Representation Bill, which will allow Ghanaian citizens living abroad to vote in Ghana's elections.

115. (SBU) Corruption and governance will continue to make news, with the likely release of the NEPAD Peer Review report in October/November. Key to the NPP's electoral prospects in 2008 will be the Kufuor government's ability to respond to corruption allegations and its success in translating macroeconomic performance into poverty reduction for the masses.

Security

116. (SBU) Ghana's 8,000 strong military is characterized by

its allegiance (at least over the past five years) to elected civilian leadership, as well as a rich peacekeeping tradition and a close relationship to the United States. Since 1960, over 80,000 Ghanaian soldiers and police have participated in peacekeeping missions worldwide, including currently in the Democratic Republic of Congo, Lebanon, Liberia, Sierra Leone and Cote d'Ivoire. We provide, or have provided, support through our Excess Defense Articles (EDA) program; the International Military Exchange Training (IMET) program; the Foreign Military Sales (FMS) and Foreign Military Funding (FMF) programs; the Enhanced International Peacekeeping Capabilities (EIPC) program; the African Contingency Operations Training and Assistance (ACOTA) program; and a robust DoD Humanitarian Assistance (HA) program. Ghana will likely receive even more support under the Global Peace Operations Initiative (GPOI). Ghana opened the Kofi Annan International Peacekeeping Training Center (KAIPTC) in 2004, the only center of its kind in West Africa. The United States European Command (EUCOM) provides direct support in the form of a liaison officer who is attached for duty at the KAIPTC, and has provided approximately \$1 million in funding support.

17. (SBU) Our mil-mil relationship also includes West Africa Training Cruises and Joint Combined Exchange Training. Ghana is the newest member of the State Partnership Program (SPP), partnered with the North Dakota National Guard (only the second in Sub-Saharan Africa), which will further strengthen mil-mil and civilian-military ties. Ghana participates as an African Fuel Initiative Hub country, and allowed the construction of an Exercise Reception Facility (ERF) at Accra Air Base under an addendum of that Technical Arrangement (TA) signed in 2005. Ghanaians avidly participate in DOD's Counterterrorism Fellowship program (CTFP). Military visits over the past year included three ship visits (most recently from the Coast Guard Cutter Bear), ten General Officer or Flag Officer visits, and a regional maritime and coastal security conference.

18. (S) Ghana is a strong ally in the Global War on Terrorism. Ghana has signed all 12 UN terrorism conventions and a Customs Mutual Assistance Agreement. We have excellent police contacts and good cooperation with the police and other security services, including the intelligence services, on matters related to terrorism. We have assisted Ghana's police, customs, and counter-narcotics agencies, including ongoing basic training for the police. RMAS and the Ghana Security Services cooperate closely on counterterrorism.

State of the Economy

19. (SBU) In 2000, the Kufuor government inherited a distressed economy: high debt levels, accelerating inflation and interest rates, a plummeting currency (the "cedi"), all exacerbated by declining world cocoa and gold prices (the main foreign exchange earners), and rising crude oil prices. Kufuor's government strengthened fiscal and monetary policies considerably, reining in spending and borrowing, and cutting subsidies by imposing badly needed energy and water price increases.

20. (SBU) The improved policy performance along with higher cocoa and gold prices since 2002 resulted in higher economic growth, reaching 5.2% in 2003 and 5.8% in 2004. Tight monetary policies since mid-2003 restored confidence in the economy, and the IMF calls the government's control of expenditures during the 2004 election year an "historic achievement." As a result of the improved policies, inflation fell from over 30% in mid-2003 to below 12% for 2004. The annual inflation rate is slightly higher as of September 2005, at about 15%, due to high world oil prices, but prices have stabilized in recent months. Key short-term interest rates have also fallen to below 15%. The cedi has been relatively stable against the dollar for two years.

Positive Economic Trends: MCA and Regional Role

21. (SBU) Ghana is a gateway to West Africa, due in part to its political stability and economic reforms, but also due to turmoil elsewhere in the region. Trade and investment flows to and through Ghana are increasing, and businesses, Embassies, NGOs, and international organizations are increasing their presence in Ghana, using it as a regional hub.

22. (SBU) In May 2004, the Millennium Challenge Corporation (MCC) designated Ghana eligible for Millennium Challenge Account (MCA) funding. The Ghanaians were slow to organize their MCA team and the process was sidelined by the 2004 election campaign. President Kufuor has pressed the MCC to expedite completion of the Compact negotiations, but the recently reorganized Ghana MCA team understands the priority is to complete a quality Compact. With the agreement signed

August 11 with the MCC for \$3 million of 609(g) funding, the GoG now has the adequate resources and personnel to complete the job. Its \$290 million proposal, focused on agri-business, promises to deliver on both poverty reduction and economic growth.

123. (SBU) In July 2004, Ghana reached Completion Point under the Heavily Indebted Poor Country (HIPC) Initiative, resulting in \$4.2 billion debt relief. This achievement also ensured Ghana's eligibility for further G-8 debt relief. Ghana is also realizing large foreign remittance flows, which may exceed \$4 billion in 2005, as well as increasing foreign investment, including from U.S. companies such as Newmont Mining and ALCOA. The government has resolved many of the investment disputes that undermined U.S.-Ghana relations in recent years.

124. (SBU) Ghana's impressive performance has not gone unnoticed. Standard and Poor's assigned Ghana a relatively high "B plus" sovereign credit rating. Fitch Rating Agency upgraded Ghana to a "B plus" rating in March 2005, citing HIPC Completion Point, improved economic indicators, and fiscal restraint through the election cycle.

Concerns: Slow Reforms, Business Climate, External Shocks

125. (SBU) The GoG faces major challenges in its effort to reform the economy. Ghana has been a slow and steady reformer, and GoG leaders do not appear to be taking full advantage of the current opportunities. While the Finance Ministry and Central Bank have done an admirable job of implementing macroeconomic reforms, the GoG has been slow to implement the politically sensitive next level of reforms, including privatization of utilities, lowering trade barriers, improving the investment climate, and attacking corruption. Economic reform lost considerable momentum during the 2004 election year. Many NPP leaders were concerned that the reform effort had not translated into improved living standards for Ghanaian citizens, so pressure increased on President Kufuor to increase spending and delay politically difficult reforms.

126. (SBU) Despite Kufuor's promise of a "Golden Age of Business," Ghana remains a difficult place to do business. Contract sanctity and difficulty in obtaining clear land title are problems. Ghana's congested courts make it difficult to resolve disputes. The average time to start a business exceeds 80 days, high compared to Ghana's peers. This contributes to corruption, as the heavy paperwork and licensing requirements create incentives to bypass normal channels. While the corruption damages Ghana's reputation, it also scares away legitimate investors and diminishes the impact of new investment on economic growth and reducing poverty. Finally, Ghana's dependence on commodity exports leaves it vulnerable to external shocks, and high energy costs could undermine the recent real gains in economic growth.

Economic Outlook

127. (SBU) Despite these concerns, the overall outlook is positive. If Ghana maintains fiscal and monetary discipline, world oil prices stabilize, and favorable external conditions continue for gold and cocoa, the economy should remain stable and possibly repeat or exceed the 5.8% 2004 growth level in 2005..

BRIDGEWATER